

HALEWOOD WINES AND SPIRITS PLC

Annual Report and Financial Statements
For the 52 week period ended 29 June 2019

WEDNESDAY



A98UX056

A06

08/07/2020

#64

COMPANIES HOUSE

HALEWOOD WINES AND SPIRITS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

CONTENTS	Page
Company information	1
Strategic Report	2
Directors Report	4
Independent Auditor's Report	6
Consolidated profit and loss account	9
Consolidated statement of comprehensive income	9
Consolidated balance sheet	10
Consolidated statement of changes in equity	11
Company balance sheet	12
Company statement of changes in equity	13
Consolidated cash flow statement	14
Notes to the financial statements	15

HALEWOOD WINES AND SPIRITS PLC

COMPANY INFORMATION

DIRECTORS	Mrs J M Halewood Mr P G Eaton (Resigned 31 August 2019) Mr I A Douglas Mr S A Hainsworth Mr A W Robinson Mr J A Bradbury
COMPANY SECRETARY	Miss N M Ferguson
REGISTERED OFFICE	The Sovereign Distillery Wilson Road Huyton Business Park Liverpool Merseyside L36 6AD United Kingdom
COMPANY REGISTRATION	03699814
BANKERS	National Westminster Bank plc 22 Castle Street Liverpool L2 0UP Investec Bank PLC 30 Gresham Street London EC2V 7QP
AUDITOR	Deloitte LLP Statutory Auditor 2 Hardman Street Manchester M3 3HF

HALEWOOD WINES AND SPIRITS PLC

STRATEGIC REPORT

BUSINESS REVIEW

Halewood Wines and Spirits PLC (Halewood) has grown its revenues by 26% and achieved EBITDA growth of 15% in the financial period to June 2019. The results are driven by a strong performance of Whitley Neill Gin in the core UK market.

The Group strategy remains focused on premium artisanal spirits with strong provenance and brand marketing. We continue to invest in Route to Market distribution and vertical integration in core markets with "boots on the ground". During 2019, the Group invested in production capability in distilling and craft beer as well as brand acquisitions. Whitley Neill Gin has become the UK's number one premium gin and continues to dominate the growing flavoured gin category. In the UK, Halewood has delisted non-profitable lines particularly in the low margin 'Ready to Drink' category resulting in artisanal spirits becoming the leading category. In addition, international expansion in North America, Russia, China and Australia through acquisitions and investment in sales infrastructure will yield positive results in the coming years.

The shareholders and senior managers decided that the sale of the business was not in the best interests of the Group due to significant growth opportunities in artisanal spirits. This decision resulted in one off deal costs and contractual management incentive payments in return for a long term commitment from senior managers.

H&A Prestige has performed well as the demand for specialised packaging and new artisanal spirits has increased. Construction is progressing well for our Crabbies' Scottish Whisky Distillery in Edinburgh and the Bankhall English Whisky Distillery in Blackpool both scheduled to be completed by the end of the year.

South Africa has achieved strong growth in spirits, particularly Belgravia Gin, in 2019, despite political and economic headwinds and has invested in canning and distilling capabilities.

A key objective for the Group is to generate growth in earnings before interest, taxation, depreciation, amortisation and other one off costs (adjusted EBITDA) period on period. The following table summarises turnover and adjusted EBITDA for each of the last 2 periods:

	2019 £'000	2018 £'000
Turnover	334,986	265,151
Operating profit	8,528	14,341
Depreciation	6,767	6,846
Amortisation	2,129	1,691
One off deal fees and contractual management incentive payments	8,906	-
Adjusted EBITDA	26,330	22,878

Key performance indicators

The directors consider the key performance indicators of the Group to be Gross Margin, Adjusted EBITDA and operating cash flows which are documented on pages 10 to 15. The KPI targets were achieved during the period and future targets are based on further growth and continued implementation of strategy.

The Group monitors closely cash flow from operating activities. During the period, the cash outflow from operating activities amounted to £25,334K (2018: £22,581K) as the business invested in new distilling capacity, acquisitions and working capital.

HALEWOOD WINES AND SPIRITS PLC STRATEGIC REPORT

FUTURE OUTLOOK

The Group will continue to focus on its successful strategy of new product development in artisanal spirits, combined with key brand acquisitions. Acquisitions and investment into distilling, brewing and production capability over the last three periods in gin, vodka, rum and whisky on a global basis will provide future opportunities in these high margin, high growth long term categories. Consumers globally have shown continued interest in craft brands with strong and local provenance.

The Group plans further vertical integration and global investment in its distilling capability to enhance the artisanal spirits portfolio. Geographical expansion in new and existing markets with initial focus on Russia, China, USA and Australia will improve margins and rate of growth.

By developing an artisanal spirits portfolio at multiple price points and operating in core geographical regions, especially Australia, China, South Africa, Russia and the US, the Group expects to mitigate risk from competition, changes in consumers' tastes and the impact of Brexit.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks affecting the Group are considered to relate to competition from other operators and industry developments.

Competitor risk

Competitor risk manifests itself in the form of competing brands in the same category all competing for the consumers' spend. The Group ensures that there is a constant pipeline of new products to bring to market and that it is investing in current brands.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and it has implemented policies that require appropriate credit checks on potential customers before services are provided and credit insurance.

Taxation risk

As a producer and distributor of alcoholic beverages the Group is exposed to the taxation risk associated with these products. In order to mitigate the risk the Group maintains a diverse portfolio of products within different alcohol duty classifications. In addition the Group is represented on various trade bodies.

Interest rate risk

The Group has interest bearing liabilities, which are linked to LIBOR, and does not consider itself to be exposed to any significant interest cash flow risk given interest coverage from earnings. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

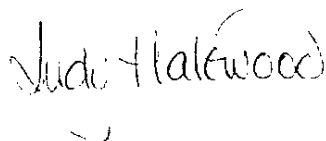
Currency risk

As the Group sells and operates in multiple markets around the globe it is exposed to movements in key currencies, in particular the Euro, Australian dollar, Russian Rouble, US Dollar and South African Rand. This risk is managed at a Group level with forward contracts taken out to manage the risk. The Group has a number of contracts open at 30 June 2019, as disclosed in note 28.

Liquidity risk

The Group ensures availability of funding through an appropriate amount of committed facilities that are designed to ensure the Group has sufficient available funds for operations.

Approved by the Board on 20 December 2019 and signed on its behalf by:



J M Halewood
Director

HALEWOOD WINES AND SPIRITS PLC DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the company and the Group for the 52 weeks ended 29 June 2019. Future developments and principal risks and uncertainties are included in the Strategic Report in accordance with the Companies Act section s414c (11).

PRINCIPAL ACTIVITIES

The principal activities of the Group are the development, manufacture and distribution of wines, spirits, beers and speciality drinks. As a company, Halewood Wines and Spirits PLC is primarily an investment holding company.

RESULTS AND DIVIDENDS

The Group profit for the period is disclosed on page 9. No dividends were declared or paid during or after the period (2018: £Nil).

DIRECTORS

The directors of the company who served throughout the period and thereafter, unless otherwise stated, are set out on page 1.

GOING CONCERN

The directors have continued to adopt the going concern basis in preparing these financial statements, additional disclosures are presented in note 1 to the financial statements.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the period the Group made charitable donations of £47K (2018: £29K). No political contributions were made by the company or its subsidiaries (2018: £Nil).

EMPLOYEES

During the period, the Group continued to provide employees with relevant information through line managers and the opportunity to attend regular employee business forum meetings held throughout the period. Priority is given to ensuring that employees are aware of all significant matters affecting the Group's trading position and of any significant organisational changes.

It is the policy of the Group to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the Group, as well as generally through training and career development.

POST BALANCE SHEET EVENTS

On 28th July 2019, Halewood International Holdings (UK) Limited acquired 100% of the ordinary share capital of South East Asia Beverage Company PTE Ltd., a company limited by shares and incorporated in Singapore, whose principle activity is the wholesale of liquor, soft drinks and beverages.

On 12th August 2019, Halewood International Limited acquired 80% of the ordinary share capital of LoCa Beverages Ltd, a company limited by shares and incorporated in the UK, whose principal activity is the distilling, rectifying and blending of spirits.

On 30th August 2019, Halewood Wines and Spirits PLC purchased and subsequently cancelled 7,308 of its own Ordinary D shares.

On 2nd September 2019 Halewood International Limited acquired 100% of the ordinary share capital of Formby Spirits Limited, a company limited by shares and incorporated in the UK, whose principal activity is the distilling, rectifying and blending of spirits.

On 27th September 2019, Halewood Wines and Spirits PLC purchased and subsequently cancelled 4,060 of its own Ordinary C shares.

On 12th November 2019, Halewood Wines and Spirits (Australia) Pty Ltd acquired a further 20% of the ordinary share capital of Ironbark Distillery Pty Limited such that it now owns 100% of the ordinary share capital.

On 20th November 2019, the Group received additional finance from Investec Bank PLC.

On 5th December 2019, 7,308 of Ordinary B shares were converted to 9,499 Ordinary A shares.

HALEWOOD WINES AND SPIRITS PLC STRATEGIC REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR AND DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the date of approval of this annual report confirms that:

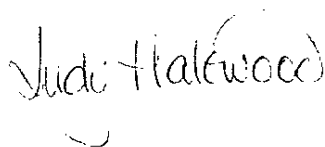
- so far as the director is aware there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

APPROVAL

The Directors' Report was approved by the Board on 20 December 2019 and signed on its behalf by:



J M Halewood
Director

HALEWOOD WINES AND SPIRITS PLC
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD WINES AND SPIRITS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements of Halewood Wines and Spirits Plc (the 'parent company') and its subsidiaries (the 'Group'):

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 29th June 2019 and of the group's profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

HALEWOOD WINES AND SPIRITS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD WINES AND SPIRITS PLC

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

HALEWOOD WINES AND SPIRITS PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HALEWOOD WINES AND SPIRITS PLC

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

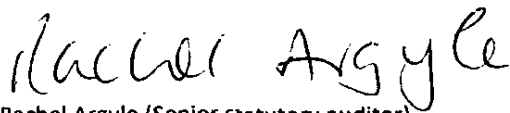
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Rachel Argyle (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester

United Kingdom

20 December 2019

HALEWOOD WINES AND SPIRITS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the 52 week period ended 29 June 2019

	Note	Total 52 weeks ended 29 June 2019 £'000	Continuing operations 52 weeks ended 30 June 2018 £'000	Discontinued operations 52 weeks ended 30 June 2018 £'000	Total 52 weeks ended 30 June 2018 £'000
Turnover	4	334,986	239,171	25,980	265,151
Cost of sales		(246,480)	(174,871)	(15,386)	(190,258)
Gross profit		88,506	64,300	10,593	74,893
Distribution costs		(6,030)	(5,998)	-	(5,998)
Selling and marketing costs		(21,597)	(18,570)	-	(18,570)
Administrative expenses		(43,445)	(26,287)	(9,697)	(35,984)
Deal fees and contractual management incentives		(8,906)	-	-	-
Operating profit	7	8,528	13,445	896	14,341
Interest receivable and similar income	5	617	205	-	205
Interest payable and similar charges	6	(2,399)	(920)	(331)	(1,251)
Profit on disposal of subsidiaries		-	1,941	-	1,941
Fair value of financial instruments	28	173	(94)	-	(94)
Share of joint venture loss		(73)	(223)	-	(223)
Profit before taxation		6,846	14,354	565	14,919
Tax on profit	10	(3,585)	(2,082)	(690)	(2,773)
Profit for the financial period		3,261	12,272	(125)	12,147
Profit for the period attributable to:					
Non-controlling interest	24	112			2,660
Equity shareholders of the company		3,149			9,487
		3,261			12,147

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 52 weeks ended 29 June 2019

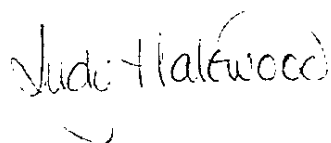
	Note	Total 52 weeks ended 29 June 2019 £'000	Total 52 weeks ended 30 June 2018 £'000
Profit for the period		3,261	12,147
Foreign exchange movement		(480)	(95)
Total comprehensive income for the period		2,781	12,052
Total comprehensive income for the period attributable to:			
Non-controlling interest	24	112	2,660
Equity shareholder of the company		3,149	9,392
		3,261	12,052

HALEWOOD WINES AND SPIRITS PLC

CONSOLIDATED BALANCE SHEET As at 29 June 2019

	Note	29 June 2019 £'000	30 June 2018 £'000
Fixed assets			
Brands and intellectual property rights	11	2,980	3,376
Goodwill	11	7,434	7,834
		<u>10,414</u>	<u>11,210</u>
Intangible assets			
Tangible assets	12	63,549	50,594
Investments	13	82	87
Share of Joint Venture net assets	13	3,839	293
		<u>67,470</u>	<u>50,974</u>
Current assets			
Stocks	15	51,705	33,186
Debtors	16	89,386	56,419
Cash at bank and in hand		4,544	10,045
		<u>145,635</u>	<u>99,650</u>
Creditors: amounts falling due within one year	17	(134,800)	(81,718)
Net current assets		<u>10,835</u>	<u>17,932</u>
Total assets less current liabilities		<u>88,719</u>	<u>80,116</u>
Creditors: amounts falling due after more than one year	18	(16,546)	(9,313)
Provision for liabilities	22	(1,338)	(926)
Net assets		<u>70,835</u>	<u>69,877</u>
Capital and reserves			
Called up share capital	23	146	146
Capital redemption reserve		5	5
Profit and loss account		70,063	69,012
Shareholders' funds		<u>70,214</u>	<u>69,163</u>
Non-controlling interests	24	621	714
Total capital employed		<u>70,835</u>	<u>69,877</u>

The financial statements of Halewood Wines and Spirits PLC, registered number 03699814, were approved by the board of directors on 20 December 2019 and signed on their behalf by:



J M Halewood
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 52 week period ended 29 June 2019

	Called-up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000	Non- controlling interest £'000	Total £'000
Balance as at 1 July 2017	95	5	62,931	63,031	1,240	64,271
On acquisition of subsidiaries (Note 14)	-	-	-	-	242	242
On acquisition of non-controlling interest	-	-	(3,260)	(3,260)	(759)	(4,019)
On disposal of subsidiaries (Note 14)	-	-	-	-	(2,669)	(2,669)
Issue of shares	51	-	(51)	-	-	-
Profit for the period	-	-	9,487	9,487	2,660	12,147
Exchange loss	-	-	(95)	(95)	-	(95)
Total comprehensive income for the period	51	-	9,341	9,392	2,660	12,052
Balance as at 30 June 2018	146	5	69,012	69,163	714	69,877
On acquisition of subsidiaries (Note 14)	-	-	-	-	49	49
On acquisition of non-controlling interest	-	-	(158)	(158)	(254)	(412)
Share buy back (Note 23)	-	-	(1,460)	(1,460)	-	(1,460)
Profit for the period	-	-	3,261	3,261	112	3,373
Exchange loss	-	-	(592)	(592)	-	(592)
Total comprehensive income for the period	-	-	2,669	2,669	112	2,781
Balance as at 29 June 2019	146	5	70,063	70,214	621	70,835

HALEWOOD WINES AND SPIRITS PLC

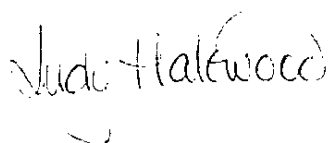
COMPANY BALANCE SHEET

As at 29 June 2019

	Note	29 June 2019 £'000	30 June 2018 £'000
Fixed assets			
Investments	13	10,614	10,614
Current assets			
Debtors	16	21,900	21,729
Creditors: amounts falling due within one year	17	(10,549)	(8,315)
Net current assets		11,351	13,414
Total assets less current liabilities		21,965	24,027
Creditors: amounts falling due after more than one year	18	(227)	-
Net assets		21,738	24,027
Capital and reserves			
Called up share capital	23	146	146
Profit and loss account		21,592	23,881
Shareholders' funds		21,738	24,027

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss after tax for the financial period amounted to £829K (2018: £428k).

The financial statements of Halewood Wines and Spirits PLC registered number 03699814, were approved by the Board of directors on 20 December 2019 and signed on their behalf by:



J M Halewood

Director

HALEWOOD WINES AND SPIRITS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

For the 52 week period ended 29 June 2019

	Called-up share capital £'000	Profit and loss account £'000	Total £'000
Balance as at 25 June 2017	95	24,360	24,455
Issue of shares	51	(51)	-
Total comprehensive expense for the period	-	(428)	(428)
Balance as at 30 June 2018	146	23,881	24,027
Share buy back	-	(1,460)	(1,460)
Total comprehensive expense for the period	-	(829)	(829)
Balance as at 29 June 2019	146	21,592	21,738

HALEWOOD WINES AND SPIRITS PLC

CONSOLIDATED CASH FLOW STATEMENT
For the 52 week period ended 29 June 2019

		52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
	Note		
Cash flows from operating activities	25	(13,576)	(3,350)
Cash flow from investing activities			
Interest received		617	205
Purchase of tangible fixed assets		(22,244)	(24,564)
Proceeds from sale of fixed assets		2,850	5,466
Purchase of joint venture		(207)	(350)
Purchase of investment		(3,413)	(21)
Acquisition of subsidiaries		(634)	(862)
Cash/(overdraft) acquired with subsidiaries		334	(218)
Disposal of subsidiaries		-	17,213
Overdraft disposed with subsidiaries		-	2,020
Purchase of non-controlling interest in subsidiaries		(412)	(4,019)
Purchase of trademarks		(793)	(1,442)
Net cash outflow from investing activities		(23,902)	(6,572)
Cash outflow from financing activities			
Repayment/(drawdown) of loans from related parties		(1,738)	5,504
Repurchase of shares		(1,460)	-
Drawdown of loans		12,130	429
Inception of capital element of finance lease		(100)	(19)
Net cash inflow from financing activities		8,832	5,914
Net decrease in cash		(28,646)	(4,008)
Cash at the beginning of the period		(24,118)	(19,558)
Effect of foreign exchange rates		(921)	(552)
Cash at the end of the period		(53,685)	(24,118)
Reconciliation to cash at bank and in hand			
Cash at bank and in hand		4,544	10,045
Overdrafts		(58,229)	(34,163)
		(53,685)	(24,118)

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

1. ACCOUNTING POLICIES

Halewood Wines and Spirits PLC, a privately owned company limited by shares, is incorporated in England and the address of the registered office is given on page 1. The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding period. The functional currency of Halewood Wines and Spirits PLC is considered to be pound sterling as that is the currency of the primary economic environment in which the company operates. The consolidated financial statements are also presented in pound sterling. Foreign operations are included in accordance with the policies set out below.

Audit Exemption

A number of subsidiary undertakings consolidated as at 29 June 2019, are claiming exemption from audit under section 479A Companies Act 2006, please refer to note 13 for details.

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to recognise financial instruments at fair value and in accordance with applicable law and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 29 June 2019. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method unless the subsidiary is held exclusively with a view to subsequent resale and the subsidiary has not previously been consolidated. Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Halewood Wines and Spirits PLC meet the definition of a qualifying entity under FRS 102 and is therefore taking advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of the cash flow statement, financial instruments and remuneration of the key management personnel.

Going concern

The Group meets its day-to-day working capital requirements through a combination of bank overdrafts secured over debts and stock and loans secured over mixed assets, (refer to Note 19). The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group and company are expected to be able to operate within the level of funding available. On 29 November 2018 the Group completed on a re-financing agreement with Investec Bank PLC, and also secured additional finance on 20 November 2019. The facility has a minimum term of 60 months from commencement date.

The directors manage liquidity risk by performing regular cash flow forecasting and consistently reviewing operations. The Group's cash position at 29 June 2019 was £4.5m (2018: £10.0m). Debt has increased from £44.6m at 30 June 2018 to debt of £81.0m at 29 June 2019. Overall net debt as at 29 June 2019 is £76.5m from £34.6m as at 30 June 2018.

In carrying out their duties in respect of going concern, the directors have carried out a review of the Group's financial position and cash flow forecast for a period of 12 months from the date of signing these financial statements. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the uncertainties brought about by the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 29 June 2019

1. ACCOUNTING POLICIES (continued)

Having taken all of the above factors into consideration, the directors have reached a conclusion that the Group is able to manage its business risks. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Capital grants

Capital government grants received are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets to which they relate.

Turnover

Turnover comprises sales to customers less discounts and allowances and is net of value added tax. Turnover is recognised upon despatch of goods.

Interest revenue

Interest income is recognised when it is highly probable that the economic benefits will flow to Group and the amount of the revenue can be measured reliably. Interest income is accrued on a timely basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Interest payable

Interest payable is accrued on a timely basis, by reference to the principle outstanding and at the effective interest rate agreed with the lenders.

Goodwill

Positive goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. Positive goodwill, where treated as an asset, is amortised on a straight line basis of ten years, which has been determined by the Directors as their best estimate of its useful economic life. In addition to systematic amortisation, the book value is written down to recoverable amount when any impairment is identified.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Intangible assets

Brand and intellectual property rights (IPR), and customer databases are valued at cost on acquisition and are amortised on a straight line basis over their estimated useful economic lives of five years.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down would be charged to operating profit unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of comprehensive income. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

- | | |
|-------------------------|---------------------------------------|
| • Freehold buildings | 2% straight line on cost or valuation |
| • Leasehold buildings | Over lease period |
| • Fixtures and fittings | 15% to 25% straight line on cost |
| • Plant and machinery | 10% to 25% straight line on cost |

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

1. ACCOUNTING POLICIES (continued)

Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

In the Group financial statements investments in joint ventures are accounted for using the equity method. Investments in joint ventures are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the associate. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes any expenses incurred in bringing each product to its present location and condition using a first in, first out (FIFO) basis. Net realisable value is based on estimated selling price less further costs of disposal.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised where the recoverability against future taxable profits is considered to be more likely than not.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings are reported in the statement of comprehensive income. All other exchange differences are included in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 29 June 2019

1. ACCOUNTING POLICIES (continued)

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Pensions

The Group contributes to defined contribution pension arrangements (including stakeholder equivalent arrangements) on behalf of employees. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost for these schemes represents contribution payable in the period.

Associates

In the Group financial statements investments in associates are accounted for using the equity method. Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the associate. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

In the company financial statements investments in associates are accounted for at cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

1. ACCOUNTING POLICIES (continued)

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one or less. If not, there are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

The company uses derivatives to hedge its exposure to changes in foreign currency exchange rates. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 29 June 2019

1. ACCOUNTING POLICIES (continued)

Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same Group. It does not disclose transactions with members of the same Group that are wholly owned.

2. STATEMENT OF COMPLIANCE

The financial statements of Halewood Wines and Spirits PLC have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and the Companies Act 2006.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

- i. Critical judgements in applying the company's accounting policies - the directors do not consider there to be any critical accounting judgements that must be applied.
- ii. Key accounting estimates and assumptions – the directors do not consider there to be any key accounting estimates and assumptions that require further analysis.

4. TURNOVER

The analysis of turnover by distribution, split by geographical market, all of which relates to the principal activity, is as follows:

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
United Kingdom	231,011	180,235
Other EC countries	7,021	20,079
Rest of Europe	5,544	7,231
Other	91,410	57,606
	<u>334,986</u>	<u>265,151</u>

Segmental reporting of the origins of turnover and profit by geographical area has not been provided. In the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the Group, and has therefore not been disclosed as permitted by FRS 102.

HALEWOOD WINES AND SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 29 June 2019

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Corporation tax interest received	-	2
Interest due from related parties	617	203
	<u>617</u>	<u>205</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 29 July 2019 £'000	52 weeks ended 30 July 2018 £'000
Bank overdraft	2,096	1,193
Bank loan interest	113	38
Finance lease interest	15	20
Related party interest	175	-
	<u>2,399</u>	<u>1,251</u>

HALEWOOD WINES AND SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 29 June 2019

7. OPERATING PROFIT

Operating profit for the Group is arrived at after charging/(crediting):

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Depreciation of owned tangible fixed assets (Note 12)	5,845	5,973
Depreciation of fixed assets held under finance leases (Note 12)	922	873
Operating lease rentals - land and buildings	299	353
- plant and machinery	10	12
Government grants released (Note 21)	(227)	(980)
Amortisation - goodwill (Note 11)	940	980
- negative goodwill	-	2
- brands & IPR (Note 11)	1,189	709
Profit on disposal of tangible fixed assets	(38)	(25)
Foreign exchange (gain)/loss	(577)	507
Cost of stock recognised as an expense	251,125	169,399
Write downs of inventories recognised as an expense	2,047	980
One off deal fees and management incentive payments	8,906	-
Auditor's remuneration		
Fees payable for the audit of the company's annual financial statements	9	9
Fees payable for the audit of the company's subsidiaries pursuant to legislation	201	222
Total audit fees	210	231
There were no non audit fees (2018: Nil).		

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 29 June 2019

8. EMPLOYEES

The remuneration of employees, including directors, was:

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Group		
Wages and salaries	27,467	24,573
Social security costs	2,057	2,140
Pensions - defined contribution schemes (Note 30)	1,773	1,599
	<u>31,297</u>	<u>28,312</u>

The average monthly number of employees during the period, including directors, was made up as follows:

	2019 No.	2018 No.
Administration and selling	326	400
Warehouse, production and distribution	581	641
	<u>907</u>	<u>1,041</u>

Company

No staff costs or directors' remuneration were paid by the company during the period (2018: £nil). They are paid by Halewood International Limited. There were no staff employed by the company during the period (2018: nil).

9. DIRECTORS' EMOLUMENTS

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Group		
Emoluments	8,490	2,080
Company contributions to money purchase pension schemes	41	38
	<u>8,531</u>	<u>2,118</u>
The emoluments of the highest paid director were:	£'000	£'000
Emoluments	<u>4,707</u>	<u>776</u>

Pension contributions have been made on behalf of 4 directors (2018: 4). The highest paid director received pension contributions totalling £11k (2018: £nil).

The directors are considered to be the key management personnel.

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

10. TAXATION ON PROFIT

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Current tax on profit		
UK corporation tax	1,166	973
Foreign Tax	1,638	1,170
	<u>2,804</u>	<u>2,143</u>
Adjustments in respect of prior period		
UK corporation tax	375	(355)
Foreign tax	-	406
	<u>3,179</u>	<u>2,194</u>
Total current tax		
Deferred taxation		
Origination and reversal of timing differences	518	470
Adjustments in respect of prior periods	(46)	147
Effect of a change in the tax rates	(66)	(38)
	<u>406</u>	<u>579</u>
Total deferred taxation		
Total taxation on profit	<u>3,585</u>	<u>2,773</u>

The standard rate of tax applied to reported profit is 19% (2018: 19%).

The Finance Act 2016 enacted a reduction in main rate to 17% with effect from 1 April 2020. Deferred tax has therefore been provided at a rate of 17% for UK entities.

During the period beginning 30 June 2019, the net increase of the deferred tax assets and liabilities is expected to increase the corporation tax charge for the period by £288k. (2019 267k) This is mainly due to fixed asset timing differences.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is shown on the following page.

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

10. TAXATION ON PROFIT (continued)

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Group profit before taxation	6,846	14,919
Tax on Group profit at standard United Kingdom corporation tax rate of 19% (2018: 19%)	1,300	2,835
Effects of:		
Expenditure not tax deductible for tax purposes	1,197	2,000
Income not taxable in determining taxable profit	-	(1,420)
Utilisation of tax losses not previously recognised	7	-
Effects of consortium relief	-	(27)
Change in unrecognised deferred tax assets	-	32
Effect of tax rates on overseas earnings	688	(1,064)
Tax rate changes	(66)	(38)
Other	130	258
Adjustment to tax charge in respect of prior periods	329	197
Total tax charge	3,585	2,773

A deferred tax liability of £369k (2018: £636k) in relation to unremitted earnings of Halewood International South Africa Pty Ltd has not been recognised as there are no plans to remit this entity's earnings to the UK.

11. INTANGIBLE FIXED ASSETS AND GOODWILL

	Brands and IPR £'000	Positive Goodwill £'000	Total £'000
Cost			
At 1 July 2018	6,742	9,224	15,966
Additions	1,302	104	1,406
Acquisition of subsidiary	-	438	438
Disposals	(509)	(2)	(511)
At 29 June 2019	7,535	9,764	17,299
Amortisation			
At 1 July 2018	3,366	1,390	4,756
Charge for the period	1,189	940	2,129
At 29 June 2019	4,555	2,330	6,885
Net book value			
At 29 June 2019	2,980	7,434	10,414
At 30 June 2018	3,376	7,834	11,210

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

12. TANGIBLE FIXED ASSETS

Group	Freehold Property £'000	Plant & Machinery, Fixtures & Fittings £'000	Total £'000
Cost			
At 1 July 2018	15,481	75,487	90,968
Additions	1,450	20,794	22,245
Acquired upon acquisition of subsidiary	-	31	31
Disposals	-	(3,490)	(3,490)
Exchange adjustment	-	143	143
At 29 June 2019	16,931	92,965	109,896
Accumulated depreciation			
At 1 July 2018	1,280	39,094	40,374
Charge for the period	1,187	5,580	6,767
Disposals	-	(678)	(678)
Exchange adjustment	-	116	116
At 29 June 2019	2,467	43,880	46,347
Net book value			
At 29 June 2019	14,464	49,085	63,549
At 30 June 2018	14,201	36,393	50,594

The net book value of plant & machinery includes an amount of £2,314k (2018: £2,379K) in respect of assets held under hire purchase contracts. Depreciation charged in respect of these assets in the period was £922K (2018: £837K). The net book value of assets under construction was £7,086K (2018: £7,519k); these assets are not being depreciated.

The company does not hold any tangible fixed assets (2018: same).

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

13. FIXED ASSET INVESTMENTS

Group	Unquoted Investments £'000	Total £'000
Cost		
At 1 July 2018	87	87
At 29 June 2019	87	87
Provisions for impairment		
At 1 July 2018	-	-
Charge for the period	5	5
At 29 June 2019	5	5
Net Book Value		
At 29 June 2019	82	82
At 30 June 2018	87	87

Group	Interests in joint ventures £'000	Interests in associates £'000	Total £'000
Cost and Net Book Value at 1 July 2018	293	-	293
Acquisitions	207	3,413	3,620
Share of loss	(74)	-	(74)
Net Book Value at 29 June 2019	426	3,413	3,839

On 11th October 2018, Halewood International Limited acquired 50% of the ordinary share capital of Wessex Distillery Limited, a company limited by shares and incorporated in the UK, whose principal activity is the distilling, rectifying and blending of spirits.

During the period from 29th December 2018 to 29th June 2019, Halewood Wines & Spirits Inc. acquired 45.155% of the ordinary share capital of Symphony Importers LLC, a company limited by shares and incorporated in the USA, whose principle activity is the distribution of spirits.

HALEWOOD WINES AND SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 29 June 2019

13. FIXED ASSET INVESTMENTS (CONTINUED)

Company	Investments in subsidiary undertakings £'000
Cost and Net Book Value	
At 30 June 2018 & 29 June 2019	<u>10,614</u>

The company's principal subsidiaries (excluding dormant entities) and joint venture undertakings are set out below. A full list of subsidiary companies is set out in note 32. All subsidiaries are 100% owned and registered in England and Wales unless otherwise stated. The registered office address of all entities is as follows unless otherwise stated: The Sovereign Distillery, Wilson Road, Huyton, L36 6AD.

Principal subsidiary undertakings	Principal activity	Registered office	Company number	Country of incorporation	Class of share
Willow Water Limited*	Production & sale of bottled water		05539318	UK	Ordinary
Halewood International Holdings (UK) Limited*	Investment Holding company		03374741	UK	Ordinary
Halewood International Holdings (Overseas) Limited*	Investment Holding company		03731605	UK	Ordinary
H&A Prestige Bottling Limited*	Wine & spirits bottler	The Winery, Ackhurst Road, Ackhurst Business Park, Chorley, PR7 1NH	01762466	UK	Ordinary
Halewood International Marketing Limited*	Marketing services		03861237	UK	Ordinary
Charlie Richards & Company Limited*	Wholesale of wine, beer, spirits and other alcoholic beverages		02606824	UK	Ordinary
Charlie Richards Craft Wines & Spirits Limited	Retail sale via stalls and markets of food, beverages and tobacco products		10496851	UK	Ordinary
Barwell & Jones Limited	Wholesale of wine, beer, spirits and other alcoholic beverages		06781279	UK	Ordinary
Hall and Bramley Ltd	Manufacture of other non-distilled fermented beverages	The Winery, Ackhurst Road, Ackhurst Business Park, Chorley, PR7 1NH	11424678	UK	Ordinary

HALEWOOD WINES AND SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 29 June 2019

13. FIXED ASSET INVESTMENTS (CONTINUED)

Halewood International Limited	Distribution of wines and spirits		03920410	UK	Ordinary
Halewood International Brands Limited	Brand ownership		03896214	UK	Ordinary
Lambrini Limited	Brand ownership		03920385	UK	Ordinary
Red Square Beverages Limited	Brand ownership		03920408	UK	Ordinary
Hawkshead Brewery Limited	Brewery and public house	Staveley Mill Yard, Staveley, Cumbria, LA8 9LR	01488467	UK	Ordinary
City of London Distillery Limited (100%)	Distillery and public house	22-24 Bride Lane, London, EC4Y 8DT	07963963	UK	Ordinary
Windsor Castle Brewery Limited (100%) #	Brewery	Unit 2 Conyers Trading Estate Station Drive, Lye, Stourbridge, West Midlands, England, DY9 3EH	05063381	UK	Ordinary
Sadler's Brewhouse Limited (99.9%)	Public house	Unit 2 Conyers Trading Estate Station Drive, Lye, Stourbridge, West Midlands, England, DY9 3EH	09416020	UK	Ordinary
H J Neill Limited (85%)	Brand Owner		09927950	UK	Ordinary
The Bajan Trading company Limited (87.5%) #	Manufacturer of spirits		06377231	UK	Ordinary
Aber Falls Distillery Limited	Distilling, rectifying and blending of spirits		10842166	UK	Ordinary
John Crabbie & Company Limited	Distillery	Mitchell House, 5 Mitchell Street, Leith, Edinburgh, EH6 7BD	SC30284	UK	Ordinary
Halewood International Streams of Whiskey Ltd (80%)	Brand Owner		06791279	UK	Ordinary
Redrosesforme Limited (60%)	Distilling, rectifying and blending of spirits		09970509	UK	Ordinary
Liverpool Gin Distillery Ltd	Distilling, rectifying and blending of spirits		10647576	UK	Ordinary
The Cornish Rum Company Ltd	Wholesale of wine, beer, spirits and other alcoholic beverages		10847544	UK	Ordinary
Kania Craft Drinks Limited (60%)	Holding company		11346532	UK	Ordinary
Rocksteady Bars t/s Ladies & Gents (70%)	Public houses and bars		07810100	UK	Ordinary
Vestal Vodka Ltd (70%)	Retail sale of beverages in specialised stores		07255560	UK	Ordinary
The Pleasure Gardens Distilling Company Limited	Dormant		10258850	UK	Ordinary
Dyflin Distilleries Limited	Distilling, rectifying and blending of spirits	39/40 Mount Street Upper Dublin 2 D02 PR89	627479	Ireland	Ordinary

HALEWOOD WINES AND SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 29 June 2019

13. FIXED ASSET INVESTMENTS (CONTINUED)

Eldorado Drinks Ltd	Dormant		11390004	UK	Ordinary
Lamb & Watt Vintners Ltd	Dormant		02841848	UK	Ordinary
Halewood International Trademarks Limited	Brand Ownership		01360434	UK	Ordinary
Halewood International SA Pty Limited	Wines and spirits bottler	61 Toronto Road, Apex Ext 1 Benoni, 1501	1998/001887/07	South Africa	Ordinary
Halewood Properties South Africa (Pty) Limited	Property company	61 Toronto Road, Apex Ext 1 Benoni, 1501	2000/008398/07	South Africa	Ordinary
Snowbliss (Pty) Limited (51%)	Manufacturer of cocktails	61 Toronto Road, Apex Ext 1 Benoni, 1501	2016/414685/07	South Africa	Ordinary
7 Stars Beverages (Pty) Limited (51%)	Alcoholic drinks manufacturer	61 Toronto Road, Apex Ext 1 Benoni, 1501	09997019	South Africa	Ordinary
Beijing Shunxing Halewood Alcoholic Beverages Limited	Distribution of wines and spirits	Room C506, Building 3, Di Sheng Nan Street No.1, BDA, Beijing, China	91110115717749457U	China	Ordinary
Halewood Wines and Spirits SAS	Distribution of wines and spirits	11 Rue Saint Etienne 16000 Angoulême, France	500 820 410	France	Ordinary
Halewood Wines & Spirits (Canada) Inc.	Distribution of wines and spirits	Suite 2660, Threee Bentall Centre, 595 Burrard Street, Vancouver, BC V7X 1L3	BC1201390	Canada	Ordinary
Halewood Wines & Spirits (Hong Kong) Limited	Distribution of wines and spirits	29 th Floor, Edinburgh Tower, The Landmark, 15 Queens Toad Central, Central HK	2819055	Hong Kong	Ordinary
Halewood Wines & Spirits Inc.	Distribution of wines and spirits	777 Brickell Ave, Miami 33131	7087848	USA	Ordinary
Ironbark Distillery PTY Ltd (80%) #	Distilling, rectifying and blending of spirits	4/37 William Street, North Richmond - NSW, Australia, 2754	165 952 116	Australia	Ordinary
Halewood Wines and Spirits (Australia) PTY Ltd	Distribution of wines and spirits	58 Gipps St, Collingwood, VIC 3066.	630 646 883	Australia	Ordinary
The Bristol & Bath Distillery Limited	Distilling, rectifying and blending of spirits		11609078	UK	Ordinary
Castle Rum Company Ltd	Public house		11556789	UK	Ordinary
Brewmasters House Limited	Manufacture of other non-distilled fermented beverages		11716482	UK	Ordinary
Edinburgh and Leith Distillery Limited	Dormant		SC607576	Scotland	Ordinary
Halewood Russia LLC	Dormant		1167847303799	Russia	Ordinary

HALEWOOD WINES AND SPIRITS PLC

NOTES TO THE FINANCIAL STATEMENTS For the 52 week period ended 29 June 2019

13. FIXED ASSET INVESTMENTS (CONTINUED)

Joint ventures	Principal activity	Registered office	Company number	Country of incorporation	Class of share
Pinchos Bar Limited (50%)	Public house	Cholmondeley House, Dee Hills Park, Chester, CH3 5AR	09038614	UK	Ordinary
Wessex Distillery Ltd (50%)	Distilling, rectifying and blending of spirits	4th Floor Imperial House, 8 Kean Street, London, United Kingdom, WC2B 4AS	10943874	UK	Ordinary

Part or full acquisition during the period, see Note 14 for details.

*Directly owned by Halewood Wines & Spirits plc

AUDIT EXEMPTION

The subsidiary undertakings consolidated as at 29 June 2019, who claimed exemption from audit under section 479A Companies Act 2006, were as follows:

Principal subsidiary undertakings	Principal activity	Company number	Country of incorporation	Class of share
Willow Water Limited	Production & sale of water	05539318	UK	Ordinary
Halewood International Holdings (UK) Limited	Investment Holding company	03374741	UK	Ordinary
Halewood International Holdings (Overseas) Limited	Investment Holding company	03731605	UK	Ordinary
Halewood International Marketing Limited	Marketing services	03861237	UK	Ordinary
Charlie Richards & Company Limited	Wholesale of wine, beer, spirits and other alcoholic beverages	02606824	UK	Ordinary
Halewood International Brands Limited	Brand ownership	03896214	UK	Ordinary
Lambrini Limited	Brand ownership	03920385	UK	Ordinary
Red Square Beverages Limited	Brand ownership	03920408	UK	Ordinary
Kania Craft Drinks Limited	Holding company	11346532	UK	Ordinary
Rocksteady Bars t/s Ladies & Gents	Public houses and bars	07810100	UK	Ordinary
Vestal Vodka Ltd	Retail sale of beverages in specialised stores	07255560		
Halewood International Trademarks Limited	Brand Ownership	01360434	UK	Ordinary
Hawkshead Brewery Limited	Production & sale of craft beers	01488467	UK	Ordinary
City of London Distillery Limited	Production & sale of spirits	07963963	UK	Ordinary
Windsor Castle Brewery Limited	Production & sale of craft beers	05063381	UK	Ordinary
Sadler's Brewhouse Limited	Public house	09416020	UK	Ordinary
Redrosesforme Limited	Distilling, rectifying and blending of spirits	09970509	UK	Ordinary
H J Neill Limited	Brand Owner	09927950	UK	Ordinary
The Bajan Trading Company Limited	Supply of wholesale alcoholic drinks	06377231	UK	Ordinary
Aber Falls Distillery Limited	Distilling, rectifying and blending of spirits	10842166	UK	Ordinary
Halewood International Trademarks Limited	Brand Ownership	01360434	UK	Ordinary
Charlie Richards Craft Wines & Spirits Limited	Retail sale via stalls and markets of food, beverages and tobacco products	10496851	UK	Ordinary
Hall and Bramley Ltd	Manufacture of other non-distilled fermented beverages	11424678	UK	Ordinary
Liverpool Gin Distillery Ltd	Distilling, rectifying and blending of spirits	10647576	UK	Ordinary
The Bristol & Bath Distillery Limited	Distilling, rectifying and blending of spirits	11609078	UK	Ordinary
The Cornish Rum Company Ltd	Wholesale of wine, beer, spirits and other alcoholic beverages	10847544	UK	Ordinary
John Crabbie & Company Limited	Distillery	SC30284	Scotland	Ordinary
Castle Rum Company Ltd	Public house	11556789	UK	Ordinary

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

14. BUSINESS COMBINATIONS**ACQUISITIONS OF SUBSIDIARIES**

The Group made the following acquisitions during the period. All acquisitions have been accounted for under the acquisition method.

On 12th February 2019, Halewood Wines and Spirits (Australia) Pty Ltd acquired 80% of the ordinary share capital of *Ironbark Distillery Pty Ltd* a company limited by shares and incorporated in the Australia, whose principle activity is Distilling, rectifying and blending of spirits.

The following table sets out the total fair value to the Group of the net assets at acquisition, which the directors' have concluded equals the book value at that date.

	Book Value £'000	Fair Value £'000
Tangible fixed assets	31	31
Current Assets		
Stock	10	10
Trade debtors	5	5
Prepayments	3	3
Cash	334	334
Total assets	383	383
Current Liabilities		
Trade creditors	(4)	(4)
Accruals and deferred income	(129)	(129)
Other creditors	(5)	(5)
Total liabilities	(138)	(138)
Net assets	245	245
Non-controlling interest (Note 24)		(49)
Related Goodwill (Note 11)		438
Total purchase consideration		634
<i>Satisfied by:</i>		
Cash and cash equivalents		634
Net cash outflows in respect of the purchase:		
Cash and cash equivalents		634
Less: cash and cash equivalents acquired		(334)
		300

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

14. BUSINESS COMBINATIONS (CONTINUED)**ACQUISITION OF NON-CONTROLLING INTEREST**

The Group made the following acquisitions of non-controlling interest during the period. All acquisitions have been accounted for under the acquisition method.

On 15 January 2019, Halewood International Limited acquired a further 12.5% of the ordinary share capital of The Bajan Trading Co Limited, such that it now owns 87.5% of the ordinary share capital.

On 22 February 2019, Halewood International Limited acquired a further 20% of the ordinary share capital of Windsor Castle Brewing Limited, such that it now owns 100% of the ordinary share capital.

The following table shows the effects of changes in the Group's ownership interests in subsidiaries that did not result in a change of control, on the equity attributable to the owners of the parent:

	2019
	£'000
Amounts paid on changes in ownership interest	412
Non-controlling interest acquired (Note 24)	(254)
Difference recognised in equity reserves	158

Net cash outflows in respect of the purchase:

Cash and cash equivalents	412
---------------------------	-----

15. STOCKS

	Group	Group
	29 June	30 June
	2019	2018
	£'000	£'000
Goods for resale	28,748	20,397
Raw materials	22,957	12,788
Consumables	-	1
	<u>51,705</u>	<u>33,186</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

The company holds no stocks (2018: nil).

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

16. DEBTORS

	Group	Group	Company	Company
	29 June	30 June	29 June	30 June
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade debtors	68,698	44,739	-	-
Corporation tax	749	-	-	365
Other debtors	6,330	2,459	6	62
Prepayments	4,565	1,915	-	-
Amounts due from subsidiary under takings	-	-	21,894	21,302
Amounts due from related parties	9,044	7,306	-	-
	<u>89,386</u>	<u>56,419</u>	<u>21,900</u>	<u>21,729</u>

All amounts are due within one year. Amounts due from subsidiaries and related parties are repayable on demand, with interest charged at 2.5% to 7.5%.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group	Group	Company	Company
	29 June	30 June	29 June	30 June
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank overdrafts (Note 19)	58,229	34,163	-	-
Bank loans (Note 19)	6,277	1,647	-	-
Finance leases (Note 19)	552	190	-	-
Trade creditors	37,543	23,057	-	-
Corporation tax	-	22	78	-
Other taxation and social security	11,060	8,680	-	-
Accruals and deferred income	17,183	12,040	15	681
Other creditors	3,944	1,556	8	244
Deferred income – grants (Note 21)	12	363	-	-
Amounts due to subsidiary undertakings	-	-	10,448	7,390
	<u>134,800</u>	<u>81,718</u>	<u>10,549</u>	<u>8,315</u>

The finance leases are secured on the assets to which they relate. Amounts due to subsidiaries and related parties are repayable on demand. Interest is charged on inter-company loans at 2.5% to 7.5%.

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	Group	Company	Company
	29 June	30 June	29 June	30 June
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Bank loans (Note 19)	15,915	8,416	-	-
Finance leases (Note 19)	-	263	-	-
Other creditors	346	473	-	-
Deferred income grants (Note 21)	285	161	227	-
	<u>16,546</u>	<u>9,313</u>	<u>227</u>	<u>-</u>

The finance leases are secured on the assets to which they relate.

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

19. BORROWINGS

	Group 29 June 2019 £'000	Group 30 June 2018 £'000
Bank overdrafts:		
Within one year	58,229	34,163
	<u>58,229</u>	<u>34,163</u>
Bank loans and other loans due:		
Within one year	6,277	1,647
Between one and two years	4,915	1,467
Between two and five years	11,000	6,949
	<u>22,192</u>	<u>10,063</u>
Finance leases due:		
Within one year	552	190
Between one and two years	-	263
Between two and five years	-	-
	<u>552</u>	<u>453</u>
Total borrowings including finance leases due:		
Within one year	65,058	36,000
Between one and two years	4,915	1,910
Between two and five years	11,000	6,949
	<u>80,973</u>	<u>44,859</u>

The company has no borrowings (2018: nil).

Bank loans consist of the following:

- 1) On 29 November 2018, the Group completed on a re-financing agreement with Investec Bank. The borrowing facilities are secured on property, plant & machinery and debtors, with a minimum term of 60 months from commencement date. Interest is charged at 2.50% - 3.50% over 3 month LIBOR.
- 2) Borrowing facilities in South Africa are secured against property, debtors, inventory and plant and equipment. The facility accrues interest on the three month Johannesburg Interbank Average Rate of a period of five years commencing 1 August 2016, and is secured by mortgage bonds over the property owned by Halewood Properties Sa (Pty) Limited as well as the cessions on the debtors and insurance policies relating to inventory.
- 3) Finance leases relate to motor vehicles, and are secured against the assets to which they relate. Future minimum lease payments in relation to the finance leases amount to £552k (2018: £453k).

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 29 June 2019

20. FINANCIAL INSTRUMENTS

Disclosures in respect of the Group

	Group	
	2019	2018
	£'000	£'000
Financial assets that are measured at amortised cost		
- Trade debtors	68,698	44,739
- Other debtors	6,329	2,459
- Amounts owed by related parties	9,044	7,306
	<u>84,072</u>	<u>54,504</u>
Financial (liabilities)/assets measured at fair value through profit or loss		
- Derivative financial instruments	125	(48)
Financial liabilities that are measured at amortised cost		
- Loans and other borrowings	80,973	44,859
- Trade creditors	37,543	23,057
- Accruals (excluding deferred income)	17,183	12,040
- Other creditors	3,944	1,556
	<u>139,643</u>	<u>81,512</u>

Derivative financial instruments

The Group enters into derivative financial instruments to hedge against certain risks, such as exchange rate volatility, through forward contracts. Although the instruments represent hedge arrangements, the Group does not apply hedge accounting and, therefore, movements in the fair value of such instruments are recognised in the profit and loss account. During the period ended 29 June 2019 the Group entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 29 June 2019, the outstanding contracts all mature within 18 months of the period end. The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates. The fair value of the forward-foreign currency contracts is an asset of £125K (2018: liability £48K).

21. DEFERRED INCOME

	Group	Group	Company	Company
	29 June	30 June	29 June	30 June
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Grants				
Opening balance	524	1,504	244	252
On disposal of subsidiaries	-	(524)	-	-
Profit and loss account	(227)	(456)	(17)	(8)
Closing balance	<u>297</u>	<u>524</u>	<u>227</u>	<u>244</u>

Of the closing grant balance £297k (2018: £524k) relates to UK grants for capital business investment and profit improvements.

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

22. PROVISIONS FOR LIABILITIES**Deferred taxation**

	Group	Group	Company	Company
	29 June	30 June	29 June	30 June
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Opening provision	926	471	-	-
Prior period movement	(46)	147	-	-
Current period credit to profit and loss account	451	421	-	-
Other timing differences	7	-	-	-
Acquired with subsidiary	-	(35)	-	-
Disposed of with subsidiary	-	(78)	-	-
Closing provision	<u>1,338</u>	<u>926</u>	<u>-</u>	<u>-</u>

Deferred tax is analysed as follows:

	Group	Group
	29 June	30 June
	2019	2018
	£'000	£'000
Capital allowances in excess of depreciation	1,700	1,116
Short term timing differences	(253)	(233)
R&D expenditure credit	(85)	-
Revaluation of fixed assets	-	46
Other	(25)	-
Losses	-	(3)
	<u>1,338</u>	<u>926</u>

23. SHARE CAPITAL

	29 June	30 June
	2019	2018
	£'000	£'000
Ordinary A shares of £1 each	95	95
Ordinary B shares of £1 each	7	7
Ordinary C shares of £1 each*	37	37
Ordinary D shares of £1 each	7	7
Issued and fully paid at the end of the period	<u>146</u>	<u>146</u>

*On 29th April 2019, 8,120 Ordinary C shares were repurchased by the company from the existing shareholder.

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

23. SHARE CAPITAL (CONTINUED)**Voting rights**

Ordinary A shareholders are entitled to one vote per share.

Ordinary B, C and D shareholders are entitled to a number of votes calculated at 5% of the aggregate number of votes that may be cast by all shareholders (irrespective of the number of shares held). Ordinary B shareholders shall not have any additional voting rights by virtue of holding more than one class of shares and shall not acquire any greater number of voting rights by acquiring any greater number of shares.

Rights in respect of dividends and distributions

Only Ordinary A shareholders are entitled to receive dividends/distributions. Ordinary B, C and D shareholders shall not confer on the Holders of such Shares any right to receive any distribution or dividend paid by the Company, other than in circumstances where a distribution or dividend is paid immediately following a Disposal (as defined in the articles of association).

Rights in respect of capital

On return of capital, the assets of the Company remaining after payment of its liabilities are applied in the following order of priority: First, (to the extent such amount exceeds Base Value) to the holders of the Ordinary B shares, Ordinary C shares and Ordinary D shares and aggregate amount equal to the Exit percentage of the Growth Value (as defined in the articles of association). Thereafter, in distributing the balance of the Sale Proceeds among the holders of the Ordinary A shares, pro rata to the number of Ordinary A shares held by them.

Redemption

Ordinary A, B, C and D share are not redeemable.

24. NON-CONTROLLING INTERESTS

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Opening balance	714	1,240
On acquisition of subsidiaries (Note 14)	49	242
On acquisition of non-controlling interest (Note 14)	(254)	(759)
On disposal of subsidiaries (Note 14)	-	(2,669)
Profit for the financial period	112	2,660
Closing balance	<u>621</u>	<u>714</u>

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

25. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	52 weeks ended 29 June 2019 £'000	52 weeks ended 30 June 2018 £'000
Operating profit	8,528	14,341
Depreciation of tangible fixed assets (Note 12)	6,767	6,846
Depreciation of fixed asset investments (Note 13)	-	35
Profit on sale of tangible fixed assets	(38)	(25)
Release of deferred income (Note 21)	(227)	(456)
Amortisation		
- positive goodwill (Note 11)	940	980
- brands and IPR (Note 11)	1,189	709
- negative goodwill (Note 11)	-	(2)
- JV goodwill amortisation (Note 13)	-	44
Movements in working capital:		
Increase in stocks	(19,019)	(3,519)
Increase in debtors	(31,160)	(13,464)
Increase in creditors	24,845	(5,598)
	(8,175)	(108)
Interest paid	(2,399)	(1,251)
UK corporation tax paid	(1,464)	(878)
Foreign tax paid	(1,538)	(1,113)
Net cash (outflow) from operating activities	(13,576)	(3,350)

26. ANALYSIS OF NET (DEBT)

	At 1 July 2018 £'000	Acquired with subsidiaries £'000	Cash movement £'000	Foreign exchange £'000	At 29 June 2019 £'000
Cash at bank and in hand	10,045	334	(5,784)	(51)	4,544
Bank overdrafts	(34,163)	-	(23,509)	(558)	(58,229)
Cash	(24,118)	334	(29,293)	(609)	(53,685)
Bank loans	(10,063)	-	(12,129)	-	(22,192)
Finance leases	(453)	-	(99)	-	(552)
Borrowings	(10,516)	-	(12,228)	-	(22,744)
Net (debt)	(34,634)	334	(41,520)	(609)	(76,429)

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 29 June 2019

27. FINANCIAL COMMITMENTS

The Group and the company had no contracted capital commitments (2018: same).

Leases

The Group has commitments under non-cancellable operating leases as set out below:

	29 June 2019 £'000	30 June 2018 £'000
Land and buildings operating leases which expire:		
Within one year	181	181
Between two and five years	-	-
After five years	604	664
	<u>785</u>	<u>845</u>
	29 June 2019 £'000	30 June 2018 £'000
Other operating leases which expire:		
Within one year	-	-
Between one and two years	-	-
	<u>-</u>	<u>-</u>

The company had no non-cancellable operating lease commitments at 29 June 2019 (2018: nil) and future minimum lease payments were £Nil (2018: £Nil).

28. DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 29 June 2019 the outstanding contracts all mature within 18 months (2018: same) of the period end.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates GBP:EUR. The fair value of the forward-foreign currency contracts is an asset of £125k (2018: liability £48K). This is included within other debtors (2018: other creditors). An amount of £173k was credited to the profit and loss account in the year (2018: £94k charge).

	Principal 29 June 2019 £'000	Fair value asset 29 June 2019 £'000	Principal 30 June 2018 £'000	Fair value liability 30 June 2018 £'000
Forward foreign exchange contracts	5,450	125	3,309	48

The fair value of foreign currency derivatives contracts is their market value at the balance sheet date. Market values are based on the duration of the derivative instrument together with the quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date. The financial instruments that are measured subsequent to initial recognition at fair value are all Grouped into Level 2. There were no transfers between Level 1 and Level 2 during the period.

The company holds no derivatives (2018: same).

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 29 June 2019

29. CONTINGENT LIABILITIES

Halewood Wines and Spirits PLC, Halewood International Limited, Halewood International Trademarks Limited, Halewood International Marketing Limited, Halewood International Brands Limited, Red Square Beverages Limited, H&A Prestige Bottling Limited, Willow Water Limited, Halewood International Holdings UK Ltd, Halewood International Holdings Overseas Limited and Lambrini Limited have given unlimited cross guarantees in respect of the others' bank borrowings. At 29 June 2019 these borrowings amounted to £12,027K (2018: £13,558K).

30. PENSION ARRANGEMENTS

The Group operates a number of defined contribution schemes for which the pension cost charge for the period amounted to £1,773k (2018: £1,599K), which represented contributions to these schemes. The assets of this scheme are held separately for those of the Group in independently administered funds. At 29 June 2019 the amount outstanding to the pension scheme was £241K (2018: £116K).

31. RELATED PARTY TRANSACTIONS

The company has undertaken transactions with subsidiaries. Under the provisions of Financial Reporting Standard 102 section 33, the company is exempt from disclosing the detail of these transactions.

During the period, the Group entered into the following transactions with companies over which the Estate of Mr J E Halewood, the principal shareholder, exercises significant influence:

- 1) The Group has a balance owed from the Estate of Mr J E Halewood at 29 June 2019 of £7,385K (2018: £6,200K).
- 2) The Group has amounts owed by directors amounting to £Nil (2018: £62k) due for repayment in less than one year. The prior period balance was repaid in full during the current period.
- 3) The Group has an amount owed from an associated company amounting to £1,272K (2018: £920K).

In the prior period, the Group entered into transactions with directors and certain family members arising on the sale of stock and fixed asset investments amounting to £25k. The balance outstanding at the current period end is £nil (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 29 June 2019

32. SUBSIDIARY COMPANIES

The complete list of subsidiary companies is set out below:

Hawkshead Brewery Limited	Sadler's Brewhouse Limited
City of London Distillery Limited	Windsor Castle Brewery Limited
The Bajan Trading Company Limited	Willow Water Ltd
Aber Falls Distillery Limited	H J Neill Ltd
Charlie Richards and Co Limited	Snowbliss (Pty) Limited
Charlie Richards Craft Wines & Spirits Limited*	Halewood International SA (Pty) Limited
Barwell & Jones Limited*	Halewood Properties SA (Pty) Limited
Eldorado Drinks Limited*	Halewood International Caribbean Limited*
The Cornish Rum Company Limited	Beijing Shunxing Halewood Alcoholic Beverages Limited
Liverpool Gin Distillery Limited	The Pleasure Gardens Distilling Company*
Redrosesforme Limited	John Crabbie & Company Limited*
Halewood International Brands Limited	Lamb & Watt Vintners Limited*
Halewood International Holdings (UK) Limited	Lambrini Limited
Halewood International Holdings (Overseas) Limited	Red Square Beverages Limited
Halewood International Limited	Halewood International Trademarks Limited
Halewood International Marketing Limited	Kania Craft Drinks Company Limited
H & A Prestige Bottling Limited	Rocksteady Bars Ltd t/a Ladies & Gents
Dyflin Distilleries Limited	Vestal Vodka Ltd
Hall & Bramley Ltd	7 Stars Beverages (Pty) Limited
Halewood Wines and Spirits SAS (France)	Halewood Wines & Spirits Inc. (USA)
Halewood Wines and Spirits (Australia) PTY Ltd	Ironbark Distillery Pty Ltd
Halewood Wines & Spirits (Canada) Inc.	Halewood Wines & Spirits (Hong Kong) Limited
The Bristol & Bath Distillery Limited*	The Edinburgh and Leith Distillery Limited*
Brewmaster's House Limited*	Halewood Russia LLC
Castle Rum Company Ltd	

* Dormant company exempt from the requirements to prepare individual financial statements in accordance with s394A of the Companies Act 2006.

33. ULTIMATE CONTROLLING PARTY

In the opinion of the directors, the Estate of Mr J E Halewood, and members of his close family control the company as a result of holding a majority share of the issued share capital and attached voting rights.

The largest and smallest Group which is Halewood Wines and Spirits PLC is a member for which consolidated accounts are prepared is Halewood Wines and Spirits PLC, whose registered office is The Sovereign Distillery, Huyton Business Park, Wilson Road, Huyton, L36 6AD.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 29 June 2019

34. POST BALANCE SHEET EVENTS

On 28th July 2019, Halewood International Holdings (UK) Limited acquired 100% of the ordinary share capital of South East Asia Beverage Company PTE Ltd., a company limited by shares and incorporated in Singapore, whose principle activity is the wholesale of liquor, soft drinks and beverages.

On 12th August 2019, Halewood International Limited acquired 80% of the ordinary share capital of LoCa Beverages Ltd, a company limited by shares and incorporated in the UK, whose principal activity is the distilling, rectifying and blending of spirits.

On 30th August 2019, Halewood Wines and Spirits PLC purchased and subsequently cancelled 7,308 of its own Ordinary D shares.

On 2nd September 2019 Halewood International Limited acquired 100% of the ordinary share capital of Formby Spirits Limited, a company limited by shares and incorporated in the UK, whose principal activity is the distilling, rectifying and blending of spirits.

On 27th September 2019, Halewood Wines and Spirits PLC purchased and subsequently cancelled 4,060 of its own Ordinary C shares

On 12th November 2019, Halewood Wines and Spirits (Australia) Pty Ltd acquired a further 20% of the ordinary share capital of Ironbark Distillery Pty Limited, such that it now owns 100% of the ordinary share capital.

On 20th November 2019, the Group received additional finance from Investec Bank PLC

On 5th December 2019, 7,308 of Ordinary B shares were converted to 9,499 Ordinary A shares.